

## STANDARD MAIL AND PERIODICALS DESTINATION ENTRY COST MODELS

### I. PREFACE

#### A. Purpose and Content

USPS-FY13-13 documents the destination entry cost avoidance estimates for Standard Mail and Periodicals.

#### B. Predecessor Document

Docket No. ACR2012, USPS-FY12-13

#### C. Corresponding Non-Public or Public Document

There is no non-public document that corresponds to USPS-FY13-13.

#### D. Methodology Changes

The Standard Mail and Periodicals destination entry cost models rely on the same methodologies presented in Docket No. ACR2012, USPS-FY12-13.

#### E. Inputs/Outputs

The Standard Mail destination entry cost avoidance estimates are calculated using the following inputs:

<u>Input Source</u>	<u>Input Description</u>
USPS-FY13-1	Standard Mail total pieces and pounds
USPS-FY13-7	Overhead factors Volume variability factors Premium pay factors Other mail processing wage rate
USPS-FY13-14	Entry profile data by facility / container type Pieces per sack, tray, and pallet
USPS-FY13-24	Cost segment 8 piggyback factor
USPS-FY13-25	Operations specific piggyback factors
USPS-FY13-32	Cost segment 8 and 14 data

Docket No. R97-1, USPS-LR-H-105	Sacks per pallet Trays per pallet
Docket No. R97-1, USPS-LR-H-111	Flow path data Sack/tray inputs MTM data
Docket No. R97-1, USPS-LR-H-195	Sacks per pallet Trays per pallet
Docket No. MC96-2, USPS-LR-PRR-7	Personal, fatigue, and delay (PFD) allowance
Docket No. MC95-1, Exhibit USPS-T-9B	Flow paths
Docket No. R94-1, Tr. 8/4006	NDC realization factor
FY13 RPW Data	Carrier Route volumes and weight by shape

The Standard Mail cost avoidance outputs are relied upon to develop the discounts and passthrough values contained in USPS-FY13-3. They are also used to develop the enhanced carrier route (ECR) cost estimates contained in USPS-FY13-18.

The Periodicals destination entry cost avoidance estimates are calculated using the following inputs:

<b><u>Input Source</u></b>	<b><u>Input Description</u></b>
USPS-FY13-1	Periodicals pieces per pound
USPS-FY13-7	Volume variability factors Premium pay factors Other mail processing wage rate
USPS-FY13-14	Pieces per sack and pallet Percentage in sacks and on pallets
USPS-FY13-23	MODS productivity data
USPS-FY13-25	Operations specific piggyback factors
Docket No. R2006-1, USPS-T-25, page 7	Volume percentage bypassing DADC

Docket No. R97-1, USPS-LR-H-111	Productivity data Container conversion factors Flow percentages
Docket No. R97-1, USPS-LR-H-132	Productivity data
Docket No. MC95-1, Exhibit USPS-11U	SCF mechanization percentage
Docket No. R94-1, Tr. 8/4006	NDC realization factor
Docket No. R90-1, Exhibit USPS-12B	Volume percentage flowing from BMC to SCF Volume percentage flowing from BMC to DU

The Periodicals cost avoidance outputs are relied upon to develop the discounts and passthrough values contained in USPS-FY13-3.

## II. ORGANIZATION

The Standard Mail transportation and non-transportation cost avoidance estimates by shape are presented in the Microsoft Excel workbooks 'USPS-FY13-13.STD\_TOTAL.xls,' 'USPS-FY13-13.STD\_LETTERS.xls,' and 'USPS-FY13-13.STD\_FLATS.xls,' as described above. The results are contained in the 'Summary All Shapes' worksheet in the first workbook (page 1). Data sources are referenced in each spreadsheet throughout the workbook. The results are also reported in Table 1 below. The parcel cost avoidance estimates have increased significantly when compared to the estimates that were calculated in previous fiscal years. The Postal Service will investigate these anomalous results prior to the filing of the FY 2014 annual compliance report.

The Periodicals non-transportation cost avoidance estimates are presented in the Microsoft Excel workbook 'USPS-FY13-13.PER.xls' in the 'Summary' worksheet (page 113). Data sources are referenced in each spreadsheet throughout the workbook. The results are also reported in Table 2 below.

**Table 1:  
Standard Mail Destination Entry  
Cost Avoidance Summary**

<b>Cost Element</b>	<b>Letters Cost Per Pound</b>	<b>Flats Cost Per Pound</b>	<b>Parcels Cost Per Pound</b>	<b>Total Cost Per Pound</b>	<b>Total Cost Per Pound (Check)</b>
<b>Transportation</b>					
DDU	\$0.3496	\$0.2387	\$8.1926	\$0.2976	\$0.2976
DSCF	\$0.3163	\$0.2005	\$8.1062	\$0.2609	\$0.2609
DNDC	\$0.2749	\$0.1775	\$7.0938	\$0.2290	\$0.2290
<b>Non-Transportation</b>					
DDU	\$0.1284	\$0.0263	\$3.2226	\$0.0690	\$0.0690
DSCF	\$0.0787	\$0.0156	\$2.9624	\$0.0447	\$0.0447
DNDC	\$0.0399	\$0.0074	\$1.8910	\$0.0234	\$0.0234
<b>Total</b>					
DDU	\$0.4780	\$0.2651	\$11.4152	\$0.3667	\$0.3667
DSCF	\$0.3950	\$0.2161	\$11.0685	\$0.3056	\$0.3056
DNDC	\$0.3148	\$0.1849	\$8.9848	\$0.2524	\$0.2524

**Table 2:  
Periodicals Destination Entry  
Cost Avoidance Summary**

<b>Cost Element</b>	<b>Cost Per Pound</b>
<b>Non-Transportation</b>	
DADC	\$0.0071
DSCF	\$0.0306
DDU	\$0.0654